

# The Think-Tank Demise

Policy should encourage non-profit public policy advocacy groups, not suffocate them with controls



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What is a think-tank? It undertakes research and has an advocacy role. The University of Pennsylvania has a Think Tanks and Civil Societies Program and this ranks think-tanks cross-country, with 2011 rankings having just been published. There is a precise definition of a think-tank, but we can ignore that. There are 6,545 think-tanks from 182 countries in this ranking—1,815 of these are in the US, 495 in China and 292 in India. It is possible Pennsylvania doesn't have an exhaustive list and some get weeded out by the definition used. With that caveat, India doesn't do that badly by number of think-tanks.

As is inevitable in any perception-based ranking, one can complain about methodology too. The top think-tank is Brookings. In the non-US list, Centre for Civil Society (CCS) is the only Indian one to figure in top-50 (it is ranked 34th). Not a single one from India figures in top-30, with US and non-US combined. There are separate regional lists, such as the one for Asia. In top-30 in Asia, the Centre for Policy Research (CPR) is fourth and Indian

Council for Research on International Economic Relations (Crier) is 15th, The Energy and Resources Institute (Teri) is 17th and CCS is 18th. I haven't figured out how CCS is only Indian entity in top-50 non-US, but is below 3 other Indian entities in top-30 in Asia. Perhaps variables are different across these two tables.

But the simple point is that not all is well in the Indian think-tank world. There is a parallel in QS World University Rankings. In this, 700 top universities of the world were ranked a few months ago (September 2011) and not a single Indian university figures in top-100. But let's leave aside broader issues of higher education. While dividing lines between teaching/training and research/advocacy can be artificial, there is a difference, if nothing else, for revenue reasons. Teaching or training of some varieties is lucrative.

However, a typical think-tank doesn't have teaching or training roles. Therefore, cross subsidisation of research and advocacy by teaching revenue is precluded. In traditional universities, typically publicly funded, research hasn't been that great. If research exists, advocacy is non-existent. Had it not been for irrelevance of research in university set-ups, think-tanks wouldn't have sprouted.

Assuming think-tanks perform a useful purpose, we confront an issue of their funding. Barring specific projects, they cannot, and should not, be publicly funded. Hence, the options are pretty straightforward and



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limited. Seek out projects. Charge some overheads on those projects and use that to build up infrastructure. Build a corpus and use interest on that to finance activities that don't receive project-based support. For projects and corpus, look outside the government.

Most think-tanks are registered under Societies Registration Act of 1860. In rarer instances, they may be registered as trusts, or under Section 25 of Companies Act. The bottom-line is they are non-profit. There are several non-profit organisations (NPOs), not all are think-tanks. For example, welfare organisations, commonly referred to as NGOs, are also non-profit. The draft direct taxes code (DTC) has been floating around for some time. If it is not implemented in 2012-13, it will be from 2013-14. This has several sections on NPOs, think-tanks, as well as NGOs. If you cut out the nitty-gritty which has been discussed threadbare, what does DTC do?

First, it curbs income tax exemptions for donations to NPOs. Second, it has a concept of income for NPOs, on financial year basis. In any year, if gross receipts (which can include grants) exceed outgoings, that's income and must be taxed, even if this is added to corpus and is used for non-profit activities in future. Third, there will be bureaucratic scrutiny of permitted welfare activities and additional registration requirements, with compliance costs.

Think-tanks from developed countries, ranked by Pennsylvania, generally have tax incentives. In an environment where public sector delivery of research/advocacy (think-tanks) and social welfare (NGOs) is under question because of its inefficiency, and the state is voluntarily abdicating in favour of private sector, the DTC kills financial viability of private initiatives.

While on compliance costs, one should mention the For-

eign Contribution (Regulation) Act (FCRA), since funds can also come from abroad. The FCRA of 1976 was amended in 2010 and in some ways, such as maintenance of multiple bank accounts, or prescribing time limits for registration applications, 2010 is an improvement over 1976. But you also need to read the FCRA Rules 2011 to appreciate the compliance costs. In some cases, FCRA is inconsistent with DTC (consultancy income, investment in mutual funds or land, accrual basis of accounting).

The left hand doesn't know what the right hand is doing. More importantly, there is a control mindset. Here are a couple of instances.

Administrative expenses have been capped at 50%. The government can prescribe donors or countries from which funds can only be received with prior permission. You would hate to be "chief functionary" of any such NPO. Constrain financial flows. Impose controls. Add to that general climate of censorship and control.

If you thought the present Indian ranking of think-tanks was bad, think again. It is likely to get worse, since think-tanks have to contend with human capital issues and compete for human resources with teaching and training entities that can afford to pay better. For obvious reasons, public think-tanks aren't the answer. Nor will teaching entities necessarily deliver on research/advocacy. "Cogito ergo sum" requires "sum" before "cogito" and government policy needs some "cogito" to ensure "sum".